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December 5, 2002

To: County and District Superintendents
County and District Chief Business Officials
Charter School Administrators

From: Janet Sterling, Director
School Fiscal Services Division

Subject: Annual Adjustment to Bid Threshold for Contracts Awarded by School
Districts

[Public Contract Code Section 20111\(a\)](#) requires school district governing boards to competitively bid and award any contracts of more than \$50,000, as adjusted for inflation, to the lowest responsible bidder. Contracts subject to competitive bidding include:

- (1) Purchase of equipment, materials, or supplies to be furnished, sold, or leased to the school district
- (2) Services, that are not construction services
- (3) Repairs, including maintenance as defined in [Section 20115](#), that are not public projects as defined in [Section 22002\(c\)](#)

[Public Contract Code Section 20111\(d\)](#) requires the State Superintendent of Public Instruction to annually adjust for inflation the \$50,000 bid threshold on contracts awarded by school districts, using the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce, for the 12-month period ending in the prior fiscal year. Effective beginning January 1, 2003, the inflation adjusted bid threshold will increase to \$59,600.

Pursuant to [Public Contract Code Section 20111\(b\)](#), public projects such as construction or reconstruction of publicly owned facilities have a lower bid threshold of \$15,000 but this limit is not adjusted annually for inflation. For more information on bidding requirements refer to [Public Contract Code sections 20110 through 20118.4](#).

The annual inflation adjustment is calculated by dividing the average of Implicit Price Deflator index values for the four quarters of the prior fiscal year by the average of Implicit Price Deflator index values for the four quarters of the second prior fiscal year. The inflation amount, rounded to the nearest one hundred dollars, is added to the prior year bid threshold to arrive at the new inflation adjusted bid threshold. Shown below are the inflation adjusted bid thresholds and the inflation percent changes for the current and two prior calendar years:

Year (Effective January 1)	Bid Threshold	Percent Change
2001	\$56,900	3.686%
2002	\$58,900	3.498%
2003	\$59,600	1.184%

If you have questions about the information in this letter, please contact the Office of Financial Accountability and Information Services at (916) 322-1770, or send an e-mail message to: faisinfo@cde.ca.gov. For specific questions about bidding procedures for school districts, please consult the [*Public Contract Code*](#) or your legal counsel.

Please note that this letter, with links to the *Public Contract Code* sections cited above, is also posted in the correspondence section on our Web site at: www.cde.ca.gov/fiscal/financial.